

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
Nora Mead Brownell, Joseph T. Kelliher,  
and Suede G. Kelly.

Puget Sound Energy, Inc.

Docket No. ER04-761-000

ORDER ACCEPTING IN PART AND REJECTING IN PART PROPOSED  
MODIFICATIONS TO PRO FORMA LARGE GENERATOR INTERCONNECTION  
PROCEDURES AND LARGE GENERATOR INTERCONNECTION AGREEMENT

(Issued June 21, 2004)

1. On April 26, 2004, Puget Sound Energy, Inc. (Puget Sound) submitted, in compliance with Order No. 2003-A,<sup>1</sup> proposed variations from the pro forma Large Generator Interconnection Procedures (LGIP) and Large Generator Interconnection Agreement (LGIA). In this order, the Commission accepts in part and rejects in part, the proposed regional reliability variations. This order benefits customers because it provides just and reasonable terms and conditions of transmission service while ensuring that reliability is protected.

**I. Background**

2. In Order No. 2003, pursuant to its responsibility under sections 205 and 206 of the Federal Power Act (FPA)<sup>2</sup> to remedy undue discrimination, the Commission required all public utilities that own, control, or operate facilities for transmitting electric energy in interstate commerce to append to their open access transmission tariffs (OATT) a pro forma LGIP and pro forma LGIA. In order to achieve greater standardization of interconnection terms and conditions, Order No. 2003 required such public utilities to file

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<sup>1</sup> Standardization of Generator Interconnection Agreements and Procedures, Order No. 2003, 68 Fed. Reg. 49,845 (Aug. 19, 2003), FERC Stats. & Regs., Regulations Preambles ¶ 31,146 (2003) (Order No. 2003), order on reh'g, Order No. 2003-A, 106 FERC ¶ 61,220 (2004) (Order No. 2003-A), rehearing pending; see also Notice Clarifying Compliance Procedures, 106 FERC ¶ 61,009 (2004).

<sup>2</sup> 16 U.S.C. §§ 824d, 824e (2000).

revised OATTs containing the pro forma LGIP and LGIA by January 20, 2004.<sup>3</sup> The Commission left it to Transmission Providers<sup>4</sup> to justify any variation to the pro forma LGIP or LGIA based on regional reliability requirements.<sup>5</sup>

3. Transmission Providers are also permitted to seek variations from the pro forma LGIP and LGIA not made in response to recognized regional reliability requirements. These requests for variation are FPA section 205 filings (rather than compliance filings) and will be approved only if they are "consistent with or superior to" the terms of the pro forma LGIA and LGIP.<sup>6</sup> A Transmission Provider seeking a "consistent with or superior to" variation must demonstrate that its proposal is consistent with or superior to the pro forma.

4. On April 26, 2004, Puget Sound filed a revised LGIA and LGIP pursuant to Order No. 2003-A. It proposes variations from the pro forma LGIP and LGIA that were adopted in Order No. 2003-A.

## **II. Proposed Modifications to the LGIA and LGIP**

5. Puget Sound has proposed to add certain defined terms to Article 1 of the LGIA. These terms include "Member," "Reliability Management System," "Reliability Management System Agreement" (RMS), "WECC," "WECC Agreement," "WECC Reliability Criteria Agreement," "WECC Staff," and "Western Interconnection."

6. Puget Sound has also added a new Appendix H to the LGIA to incorporate and set forth certain reliability requirements and remedies with which Interconnection Customers must comply. Puget Sound proposes attaching Appendix A of the Western Electric Coordinating Council's (WECC) RMS Agreement as Appendix H to the LGIA. Puget Sound states that Appendix A of the RMS Agreement sets forth regional reliability standards observed throughout the WECC by interconnection customers. Additionally, it asserts that it has previously executed an RMS Agreement with the WECC that obligates

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<sup>3</sup> See Notice Clarifying Compliance Procedures, supra note 1 (clarifying that Commission will deem OATTs of non-independent public utilities to be revised as of January 20, 2004).

<sup>4</sup> The "Transmission Provider" is the entity with which the Generating Facility is interconnecting. The term "Generating Facility" means the specific device (having a capacity of more than 20 megawatts) for which the Interconnection Customer has requested interconnection. The owner of the Generating Facility is referred to as the "Interconnection Customer."

<sup>5</sup> See Order No. 2003 at P 822-24, 826.

<sup>6</sup> Order No. 2003 at P 825.

Puget Sound and its interconnection customers to follow WECC reliability criteria. In addition, Puget Sound proposes to modify Article 4.3 of the pro forma LGIA to specify that the parties shall abide by the reliability standards set forth in Appendix H.<sup>7</sup>

7. Puget Sound proposes to include as Appendix I to the LGIA its Interconnection Standards for Large Generating Facilities. In addition, Puget Sound has included power factor criteria, maximum power production and telemetry and Supervisory Control and Data Acquisition (SCADA) requirements specific to wind generators. They state that these modifications are designed to enable the Transmission Provider to operate, maintain, and control the Transmission System and the Transmission Provider's Interconnection Facilities in a safe and reliable manner. Puget Sound has also modified and added detail to Appendix 1, Attachment A so that the Interconnection Customer knows what needs to be submitted. It contends that these modifications are "consistent with or superior to" the pro forma language.

8. In addition, Puget Sound has requested that the Commission acknowledge the Agreement Limiting Liability Among Western Interconnected Systems (WIS Agreement)<sup>8</sup> will continue to apply in accordance with its terms between the parties to the agreement. Under the WIS Agreement, which is voluntary and terminable at any time, each signatory agrees to be responsible for damages occurring to its own system, except for "willful misconduct." The agreement further provides for the purchase of a \$10 million insurance policy to cover costs of actual property damage occurring to retain customers from multiple transmission outages.

9. Puget Sound proposes numerous editorial changes to the pro forma LGIP and LGIA, including modifying the Table of Contents of the LGIP and LGIA to identify definitions, sections and articles within the two documents.

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<sup>7</sup> The modified provision would read: "Each Party shall perform all of its obligations under this LGIA in accordance with Applicable Laws and Regulations, Applicable Reliability Standards (including, without limitation, those set forth in Appendix H to this LGIA), and Good Utility Practice...." (revised language underlined).

<sup>8</sup> Parties to the WIS Agreement include Avista Corporation, Basin Electric Power Cooperative, Bonneville Power Administration, City of Tacoma, Cowlitz County PUD, Eugene Water & Electric Board, Grand Coulee Project Hydroelectric Authority, IdaCorp, Inc., PacifiCorp, PUD #1 of Chelan County, PUD #1 of Douglas County, PUD #1 of Grant County, PUD #1 of Grays Harbor County, PUD #1 of Pend Oreille County, PUD #1 of Snohomish County, PUD #1 of Whatcom County, Puget Sound Energy, Inc., Seattle City Light, Sierra Pacific Power Company, and TransAlta Centralia Plant.

### **III. Notice and Responsive Pleadings**

10. Notice of Puget Sound's filing was published in the Federal Register, 69 Fed. Reg. 25,074 (2004), with comments, protests, and interventions due on or before May 15, 2004. Avista Corporation (Avista) filed a motion to intervene and comments supporting Puget Sound's filing.

### **IV. Discussion**

#### **A. Procedural Matters**

11. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2003), the timely, unopposed motions to intervene serve to make those who filed them parties to this proceeding.

#### **B. Substantive Matters**

12. The Commission intends to supplement rather than supplant the work that regional reliability groups have already undertaken regarding interconnection. Accordingly, a Transmission Provider, on compliance, may offer variations based on existing regional reliability requirements. The Transmission Provider must show that each proposed variation from the pro forma provisions is in response to established (i.e., approved by the Applicable Reliability Council) reliability requirements.<sup>9</sup>

13. Avista Corporation supports Puget Sound's filing. However, it requests that the Commission establish a regional docket to address all regional variation requests to the Order 2003-A compliance filings. We deny this request because a regional docket is unnecessary.

14. We will accept the proposal to include Appendix A of the RMS, verbatim, as an appendix to the LGIA. This proposed variation to the pro forma provisions has been adequately supported by existing regional reliability standards.<sup>10</sup>

15. The Commission will deny Puget Sound's request to modify Article 4.3 of the pro forma LGIA. As it reads in the pro forma LGIA, each party is "required perform all of its obligations under this LGIA in accordance with ... Applicable Reliability Standards." The Commission believes that this language is self explanatory and the change proposed

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<sup>9</sup> See Order No. 2003 at P 823-24, 826.

<sup>10</sup> See also Arizona Public Service Company, et al. 107 FERC ¶ 61,257 at P 28 (2004) (Western Utilities Regional Reliability Order).

by Puget Sound is unnecessary.<sup>11</sup> Moreover, Puget Sound's proposal does not track an established regional reliability standards variation and is rejected.<sup>12</sup>

16. We will also reject the following proposed revisions: (1) Puget Sound's multiple editorial-type changes to the pro forma text; (2) modifications to Appendix 1, Attachment A of the LGIP; (3) the proposed definitions in section 1 of the LGIP and article 1 of the LGIA; and (4) the proposed editorial changes to the Table of Contents of the pro forma LGIP and LGIA. With respect to Puget Sound's proposed editorial revisions, we agree that revisions would be appropriate where some provisions of the pro forma LGIP and LGIA could be open to misinterpretation without the revisions. While we accepted one minor typographical change in VEPCO,<sup>13</sup> we now believe that proposed typographical and other editorial changes are more appropriately addressed in the rulemaking proceeding where they may be considered in a single proceeding and applied generically. Accordingly, we reject Puget Sound's proposed editorial revisions without prejudice to the outcome of the order on rehearing of Order No. 2003-A.

17. In addition, the Commission rejects the inclusion of the Interconnection Standards for Large Generators, which includes, among other things, power factor design criteria for wind generators, requirements for power system stabilizers and protection settings, as Appendix I to the LGIA. In Order Nos. 2003 and 2003-A, the Commission specifically exempted wind generators from many provisions of Order Nos. 2003 and 2003-A, including the requirement to maintain a required power factor.<sup>14</sup> Further, Puget Sound has not provided any support for the inclusion of the other operational standards and procedural requirements set forth in Appendix I.

18. Puget Sound has not demonstrated that these revisions are "consistent with or superior to" the pro forma text. The Commission, in Order No. 2003, stated :

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<sup>11</sup> See Xcel Energy Operating Companies, 106 FERC ¶ 61,260 at P 30-31 (2004).

<sup>12</sup> See supra, P 4. Puget Sound cites the Commission's letter order in ER04-59-000 as precedent for the Commission accepting this language in prior interconnection agreements. However the letter order cited specifically states:

This acceptance shall not be construed as constituting approval of the referenced filing or of any rate, charge . . . regulation or practice affecting such rate or service provided for in the filed documents . . . and such acceptance is without prejudice to any findings or orders which have been or any which may hereafter be made by the Commission in any proceeding now or pending or hereafter instituted by or against Xcel Energy Services, Inc.

<sup>13</sup> Virginia Electric and Power Co., 107 FERC ¶ 61,010 (2004), reh'g pending.

<sup>14</sup> See Order No. 2003-A.

[T]here is a pressing need for a single set of procedures for jurisdictional Transmission Providers and a single, uniformly applicable interconnection agreement for Large Generators. A standard set of procedures as part of the OATT for all jurisdictional transmission facilities will minimize opportunities for undue discrimination and expedite the development of new generation, while protecting reliability and ensuring that rates are just and reasonable.<sup>15]</sup>

The Commission further determined that standard interconnection procedures and a standard agreement applicable to Large Generators will limit opportunities for Transmission Providers to favor their own generation, facilitate market entry for generation by reducing interconnection costs and time, and encourage needed investment in generator and transmission infrastructure.<sup>16</sup> Further, Order No. 2003-A does not allow for regional variations except those based on regional reliability standards.<sup>17</sup>

19. The Commission also declines to state that the WIS Agreement will continue to apply in accordance with its terms between the parties to the agreement. Puget Sound has not shown that this proposed variation to the pro forma provisions has been adequately supported by existing regional reliability standards or is “consistent with or superior to” the pro forma provisions.

The Commission orders:

(A) Puget Sound’s proposed variations concerning its LGIP and LGIA are hereby accepted in part and rejected in part, as discussed in the body of this order. The accepted provisions are effective April 26, 2004.

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<sup>15</sup> Order No. 2003 at P 11 (footnote omitted).

<sup>16</sup> Id. at P 12.

<sup>17</sup> Puget Sound’s proposed variations based on regional reliability variations have been addressed in an order issued on June 4, 2004. See Arizona Public Service Co., et al., 107 FERC ¶ 61,257 (2004).

(B) Puget Sound is hereby directed to submit the Order No. 2003-A pro forma LGIP and LGIA, with the variations we are accepting herein, within 30 days of the date of this order.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.